

# The Health Insurance Dilemma Among Montana's K12 Schools JB 462

## SB462 (2007) Senator Sam Kitzenberg

- Montana schools spent more than \$103 million dollars on health insurance premiums in FY06. School employees spent an additional \$30 to \$35million on health care costs.
- FY06 K12 health benefit costs to districts have grown by more than 150% since FY91. In FY91, health care costs were 6% of the budget BUT now consume almost 10% of all fund (minus retirement) expenditures.

### HISTORICAL TREND OF SCHOOL DISTRICT EXPENDITURES FOR HEALTH INSURANCE

#### DISTRICT HEALTH COSTS GREW BY 150% SINCE FY91 & NOW CONSUME 9.9% OF ALL EXPENDITURES!

Source: OPICORE Budget & Exp files; Coopers-Lybrands, & eBenX, MEA-MFT files. \* FY05 is estimated.

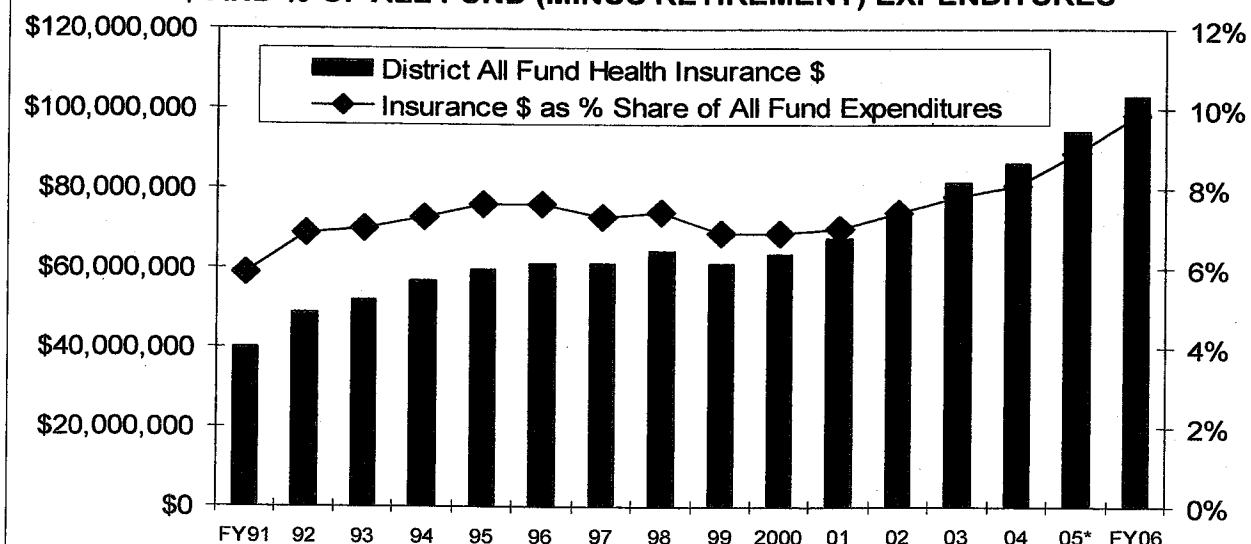
#### GENERAL FUND DISTRICT EXPENDITURES

Fiscal Year	Benefits (200s) Expenditures	85% of Benefits (Health \$ Est.)	Annual % Change	Share of GF Budget
FY91	35,310,055	30,013,547	BASE	5.3%
92	43,258,290	36,769,547	22.5%	6.3%
93	47,341,686	40,240,433	9.4%	6.6%
94	48,530,302	41,250,757	2.5%	6.7%
95	51,387,202	43,679,122	5.9%	7.0%
96	54,208,191	46,076,962	5.5%	7.2%
97	53,932,344	45,842,492	-0.5%	7.0%
98	57,250,442	48,662,876	6.2%	7.3%
99	54,291,025	46,147,371	-5.2%	6.8%
2000	54,893,095	46,659,131	1.1%	6.7%
01	58,788,434	49,970,169	7.1%	7.0%
02	63,441,660	53,925,411	7.9%	7.4%
03	67,613,731	57,471,671	6.6%	7.7%
04	71,670,555	60,919,972	6.0%	8.0%
05*	75,000,000	63,000,000	3.4%	8.1%
FY06	79,818,300	66,995,300	6.3%	8.2%

#### ALL FUNDS (MINUS RET) EXPENDITURES

Benefits (200s) Expenditures	90% of Benefits (Health \$ Est.)	Annual % Change	Share of All Expenditures
44,651,364	40,186,228	BASE	5.9%
54,080,852	48,672,767	21.1%	6.9%
57,673,346	51,906,011	6.6%	7.0%
63,209,047	56,888,142	9.6%	7.3%
66,327,049	59,694,344	4.9%	7.6%
68,123,470	61,311,123	2.7%	7.6%
67,824,041	61,041,637	-0.4%	7.3%
71,376,994	64,239,295	5.2%	7.4%
68,116,543	61,304,889	-4.6%	6.9%
70,656,921	63,591,229	3.7%	6.9%
75,276,931	67,749,238	6.5%	7.0%
81,867,634	73,680,871	8.8%	7.4%
90,659,657	81,593,691	10.7%	7.8%
96,099,236	86,489,313	6.0%	8.1%
105,099,236	94,589,313	9.4%	8.9%
114,787,787	103,309,008	9.2%	9.9%

### SCHOOL DISTRICT HEALTH INSURANCE COSTS SINCE FY91 & % OF ALL FUND (MINUS RETIREMENT) EXPENDITURES



- For FY07, 245 Montana school districts, enrolling more than 60% of Montana K12 students are budget at 97% or more of their maximum budget allowed by law. There simply isn't much available room to fund additional health care costs.
- By last count, 80 – generally very small school districts – don't offer a group health care benefits plan to any of their employees.
- We estimate that as many as ½ (4,000) of Montana's K12 "classified" workforce (paras, secretaries, clerical, custodial/maintenance, bus drivers and food service employees) – do NOT presently "qualify" for the local school health program – OR are not able to afford enrollment when most school's "pro-rate" employer contribution to 'hours-worked per week.'
- Annual premium costs have grown erratically for many districts but over the last decade have risen dramatically for most districts, nearly doubling since FY97

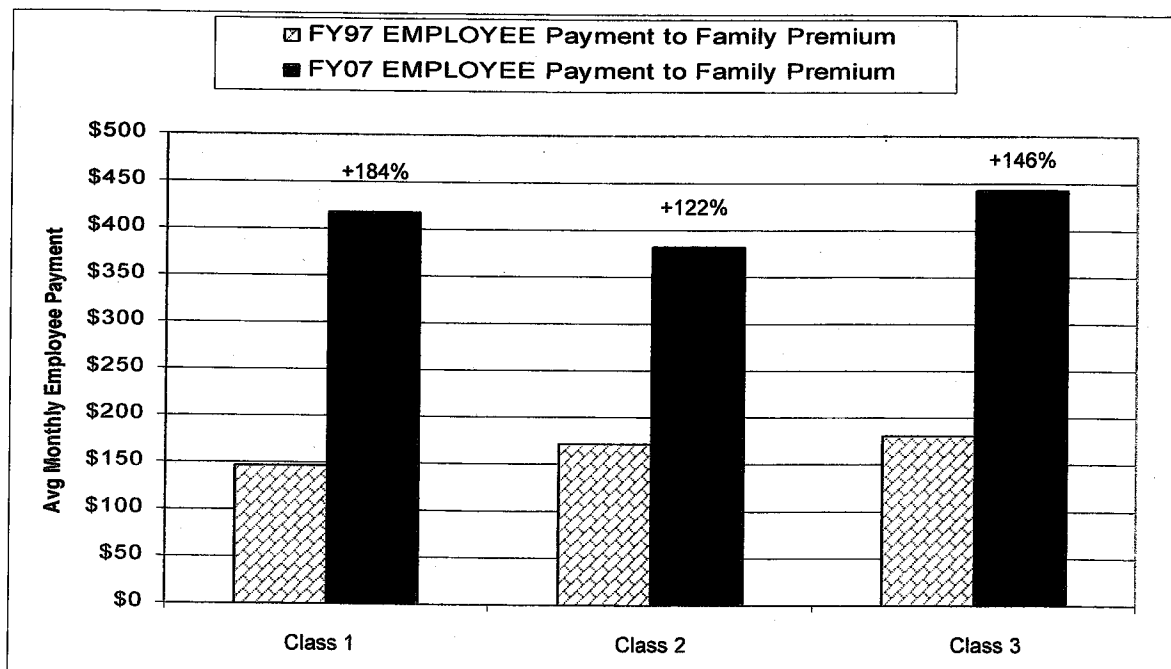
**FY07 COMPARED TO FY97**  
**INDIVIDUAL, FAMILY & COMPOSITE PREMIUMS & EMPLOYEE PAYMENTS**  
**\$ AVERAGES FOR 1st (Large), 2nd (Middle-Size) & 3rd (Small) CLASS DISTRICTS**

Source: Annual MtSBA/MEA-MFT/MSSF School Insurance Survey

DISTRICT CLASS	Individual Premium		Family Premium		Employee Paid Premium to Family Premium	
	FY97	FY07	FY97	FY07	FY97	FY07
1 <sup>st</sup>	217	426	414	976	147	418
2 <sup>nd</sup>	201	384	489	913	172	383
3 <sup>rd</sup>	187	350	444	859	180	442

**% INCREASES IN PREMIUMS & EMPLOYEE PAYMENT TO FAMILY PREMIUMS**

1 <sup>st</sup>	96%	136%	184%
2 <sup>nd</sup>	91%	87%	123%
3 <sup>rd</sup>	87%	93%	146%



- More than 30 local school health plans – from Glasgow to Havre, Dillon to Ennis to Lockwood – have family premiums that exceed \$1,000. More than a dozen local school health plans require the employee to pay more than \$600 per month to enroll their family dependants.
- The “shift-to-employee” of premium burden has so severe that we now see school employee dependents being “dropped” off the plan. Maybe the spouse or kids have insurance coverage from another source, OR maybe they don’t....
- And beyond premiums, an increasing share of total health costs are being transferred to employees through higher deductibles and out-of-pocket cost limits.

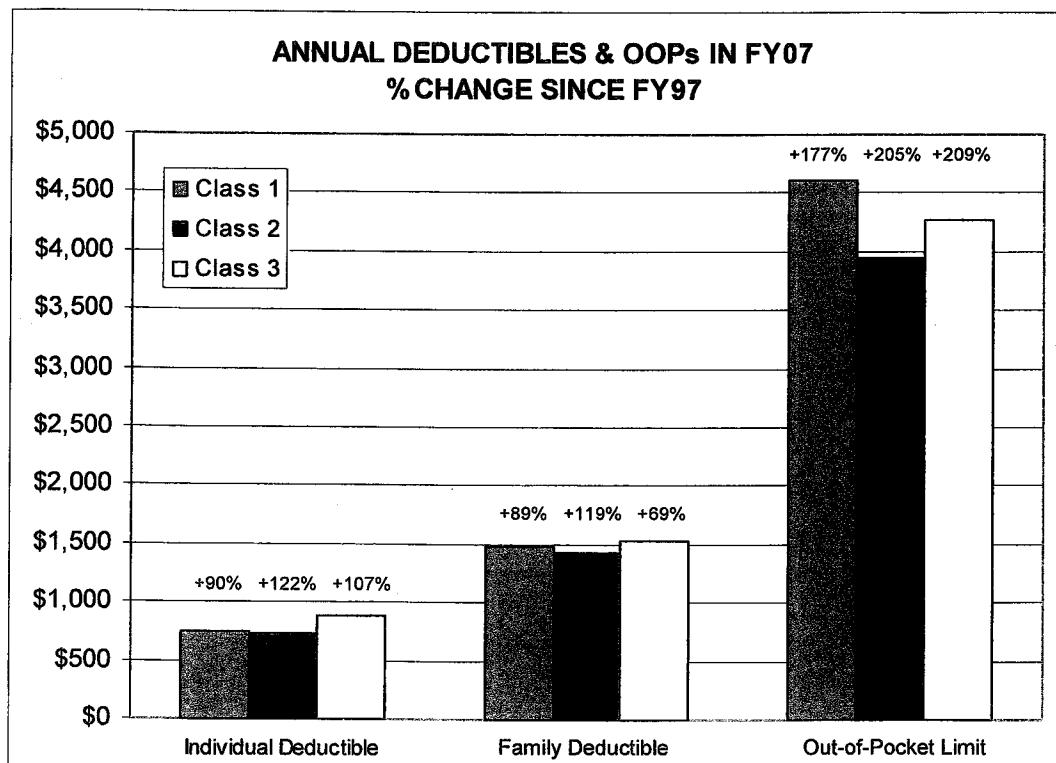
**FY07 COMPARED TO FY97  
INDIVIDUAL & FAMILY DEDUCTIBLES & OUT-OF-POCKET LIMITS  
\$ AVERAGES FOR 1st (Large), 2nd & 3rd (Small) CLASS DISTRICTS**

Source: MtSBA/MEA-MFT/MSSF School Insurance Survey

DISTRICT CLASS	Individual Deductible		Family Deductible		Out-of-Pocket Limit	
	FY97	FY07	FY97	FY07	FY97	FY07
1st	390	742	785	1,485	1665	4608
2nd	327	725	655	1,436	1293	3947
3rd	423	876	909	1,538	1383	4272

**PERCENTAGE INCREASES IN DEDUCTIBLES & OUT-OF-POCKET LIMITS**

1st	90%	89%	177%
2nd	122%	119%	205%
3rd	107%	69%	209%



- Every additional % of school budget used for health-care -- “squeezes” the pie for other expenditures. Every additional “out-of-pocket” cost to employees for health care makes Montana a “less” desirable or affordable place to commit a career.

*Recall the testimony of a dozen MT superintendents during the “Adequacy of Funding” trial in Helena just 3 years ago. Supt Dick Cameron’s (then in Glendive, now in Broadus) testimony in particular... He clearly recounted how MT wage offerings were not keeping-up with western states offers, that “hiring-pools” were ‘shrinking,’ and that “IF” he could find a couple (rather than previously a dozen) candidates for a position – the ‘candidates’ faded-away as they learned that they would need accept a salary that was 20-30% less than other western states AND they would need to pay (\$200 to now \$600 each month) for dependant health care coverage...Montana cannot be assured of recruiting & retaining “the best” under these circumstances. We are jeopardizing the quality of our future school workforce.*

**SB462 is intended to address this issue in a cost-effective manner. The bill:**

- Beginning July 1, 2008, makes all school employees regularly employed 30+ hours per week, or fewer hours (with a minimum threshold of 18 hours per week) as specified by local contract or board policy, “eligible” to participate in the existing state health benefits program. (See Sec 4.1.)
- Retirees previously enrolled in their local school health plan or new retirees electing continued coverage by the school employer, would also be eligible to participate in the new constituted state and school health benefits program.
- School enrollment in the state health plan is anticipated to be 18,000 active employees, plus 2,000 retirees. This is estimated to be a 2,000 increase in the total number of active school employees being provided with employer sponsored health care.
- **The newly expanded state and school health group would enroll more than 35,000 and provide health benefits to at least as many more dependants. The large group will “equalize” benefits and costs of providing health benefits among school districts, help the state in negotiating favorable medical and administrative provider charge agreements, better “manage” care and wellness programs for members, stabilize cost growth trends and afford better health care for all state and school employees.**
- For each enrolled school member, the school employer will be expected to make the same full employer contribution as expected of the state employer – projected to be \$557 per month for FY09. (See Sec 6.) This employer contribution level is expected to exceed actual single employee enrollment costs by approximately \$30. (The “excess contribution” could be used by the employee to help pay dependant premiums, like or other insurance.) For 18,000 school employee enrollees, this would amount to slightly more than \$120m statewide in FY09.
- School districts would raise revenue to pay for all employer contributions through use of a newly established health insurance fund. This fund would be funded by a permissive annual property tax levy. (See Sec 1.)

- The state and school health benefits plan would be administered by the Department of Administration, working in conjunction with OPI for purposes of enrollment procedures and transfer of premium payments to DoA. To reduce needless money transfers, OPI would transfer district health premium payments to DoA by withholding of direct state aid and GTB payments to the districts. (See Sec 11.7.)
- And finally, general overview and policy guidance for the new constituted state and school health benefits program would be undertaken by the State Employee Group Benefits Advisory Council – enlarged to include representation from school employees. (See Sec 2.).

SB462 offers the promise of a uniform, statewide health benefits program for all school employees. Large statewide pooling should reduce administrative costs, stabilize cost escalation, provide more opportunity for effective medical and administrative service provider negotiation of prices, and improve claims/care management and healthcare outcomes.

I ask for this committee's sincere review of the problems faced by Montana schools in respect to health insurance and health insurance funding.